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Prosperity's difficulties

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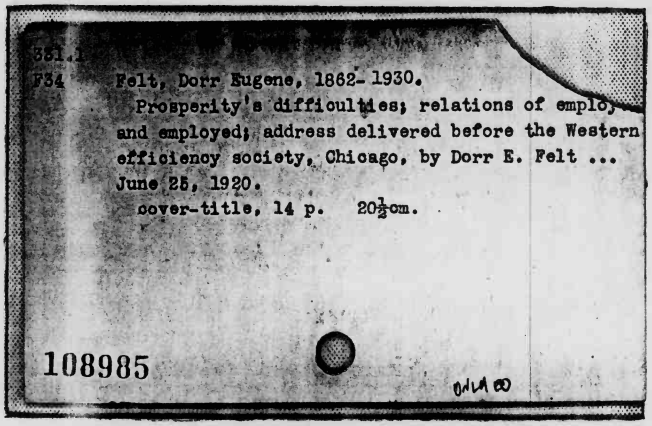

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PROSPERITY'S DIFFICULTIES

Relations of Employer and Employed

Address delivered before the
Western Efficiency Society, Chicago

By DORR E. FELT
President Felt & Tarrant Mfg. Co., Chicago

JUNE 25, 1920

Oct 12, 1920 Smr

Prosperity's Difficulties

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Address delivered before the
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THE people of the United States are now undergoing the test of whether or not they are able to stand prosperity. The change in industrial and commercial conditions has been very great, and in many respects we have not adjusted ourselves to a new condition in which the buyer does the soliciting and the seller dictates the terms. Most establishments are carrying the expense of a selling organization far in excess of present needs. A concern does not care to dissipate a selling organization which may have cost a million to develop.

At the same time that the prices of goods have gone up, wages have gone up. At present, in this part of the country, there are more jobs than there are employees to fill them. In some parts of the country, particularly on the Pacific Coast, the reverse has been true for some months, and just now there is more or less lack of employment in some of the Atlantic states.

Wages and the price of goods have changed so rapidly and irregularly that today there does not seem to be an equilibrium as to cost of labor in different crafts, or commodities of different kinds. It

will take some time to arrive at a stable condition of values. There will probably be as much irregularity when prices go down as there was during the process of elevation, and a great deal more complaint and acute labor unrest than has developed during the rapid upward movement.

I do not look for much harm being done by the radicals in any part of society in America. In the long run they cannot procure enough followers to control. It is those who are indifferent to the rigid enforcement of the laws, and those who think they are conservative and impartial yet are actuated by feelings of envy and desire to get into the limelight, while lacking in knowledge of sound economic principles, who do the most harm.

I am not in sympathy with any person or group which is complaining under present conditions. The dealer, the employer and the worker can save more under present conditions than the average during any decade in the past forty years. An increase of 100% on necessities consumed does not necessarily mean an increase of 100% in the cost of living.

It was my privilege to examine the results of a very careful and minute investigation of the cost of living in fourteen cities in France, a year ago, made by the General Electric Company of France. It showed an average of about 190% increase over pre-war costs—in other words, 3 to 1. The workman's wages in most industries, of practically every skilled craft, had increased exactly 100%, or 2 to 1; yet the workmen had more "free money" than they had enjoyed prior to the war, and were living just

as well as before the war, in many cases much better. In this computation the cost of rent had not gone up, nor the cost of bread.

The stress and unrest which we are now experiencing in this country is not as great as that in most of the European countries; nor are the manifestations of unrest as acute as they have been in this country and in England in past times.

In England there have been many periods of extreme unrest, when wages went up and the worker was able to dictate terms due to the scarcity of labor. Perhaps the most notable instance was in 1381, following the thirty years during which the famous "Statutes of Labor" were in force and constantly being made more rigid and severe in the matter of penalties.

In this country we had a trying experience about 1836, when both labor and commodity prices went up, and there was not enough labor to be had. Commodity prices went up to the extent which occasioned a great cry of "extortionist" and great mobs gathered in the principal cities. In some cities warehouses were wrecked and provisions seized, a considerable portion of which were destroyed.

A period of sanguinary labor unrest took place about 1877, when we had the Knights of Labor, the Amalgamated Association of iron and steel workers, and the "Molly Maguires." The operations and outbreaks of these organizations were much more destructive of life and property than anything which has thus far occurred during our present period of economic disturbance.

Periods like the present afford opportunity for the demagogue and agitator. He finds the worker's mind disturbed by unaccustomed conditions and his spirit emboldened by feelings of power which he is not trained to exercise with moderation. As a matter of fact, the workman does not comprehend the forces which placed this power in his hands and, as always under similar circumstances, abuses his opportunities. The consumer, also, has no comprehension of the economic laws which regulate prices and rails at the profiteer the same as in times past they cried out against the so-called "extortionists" and "hoarders."

Men having no sound understanding of social and economic questions advance all sorts of impractical ideas, nearly all of which have been tried out time and time again and resulted in failure—like the quack doctor who prescribes all sorts of palliatives for social ills. Many of them seem to work well on a rising tide of prosperity but only add to the distress and friction when the tide turns. Among these quack remedies are, price fixing regulations; participation in profits and voice in management by employees; laws inflicting penalties on the striker and profiteer; mutually constituted shop councils; courts of arbitration and conciliation; minimum wage laws, and numerous other plans.

In Kansas, Governor Allen has rendered a marked service in exposing the methods of certain classes of labor leaders; but I am afraid that even though he may make his labor laws effective in a community which is mainly agricultural, they would not work at all in a community largely industrial.

Similar laws have been in operation in the province of New South Wales, Australia, for twenty years and have been changed almost every year during that time. The result has not been a reduction in friction between employer and employee, but on the other hand, has increased the friction several hundred per cent. In the province of Victoria, Australia, during the same period, elaborate systems of boards of arbitration and conciliation have been in operation without visible benefit.

I am very well acquainted with the Minister of Labor for New South Wales, Mr. George W. Beeby, who was the author of the last two compulsory arbitration laws in force in that province. He frankly admits that their labor boards and courts are completely congested; that strikes have increased, and that he believes that it is the desire of the people to get back to the old-fashioned system.

In France, last spring, with the assistance of several of the staff of Director of Labor Fontaine, I investigated the results of a law forbidding the organization of labor, which was passed in 1791, and amended in 1884, so as to permit merely craft organizations, but not federations of workers, and I found that the law had never been effective. In fact, Jouhaux, head of the French Federation of Labor, represented the French Government at the Peace Conference, on the Labor Committee—the Federation occupying a whole block of buildings in Paris. Under the law, all of its members were outlaws and subject to imprisonment. An attempt to

repeal that law was made a year ago, but it failed. That attempt was inspired by fear of revolution, the same as the amendment in 1884.

It seems that in industrial countries, about every generation tries to enact some radical legislation to prevent labor conflicts and, as far as I know, it has always resulted in much greater conflict than it was intended to cure.

In some cases, under a condition of serfdom during the middle ages, laws forbidding strikes seemed to work well for a short time, but invariably they failed. Usually moderate laws were first passed, and they not being effective more stringent laws were enacted, until in some cases strikers were worked in chain gangs and branded with hot irons.

There isn't any question in the world but that a law forbidding strikes on the part of workers engaged in the key industries, such as coal mining, transportation, etc., would be morally right, but in the end public sentiment would make it impossible to enforce it in large industrial communities.

I have little faith in permanent boards of arbitration or conciliation as means for reducing industrial conflict. In the conception of such plans, little or insufficient weight is given to the major factors to be considered in devising any plan for reducing strife.

I began studying labor questions over thirty years ago when a workman at the bench, and sent to England to procure books on the subject; and I have been studying it ever since—most intensively

during the last two years—so that my ideas have crystalized on a few points, which I will now present.

The conservative and reasonable leaders and members in any body of employers or employees cannot compel or influence their members to respect any tribunal or board of inquiry in situations such as lead to war between employer and employed.

While some American employers are now further removed from personal contact and mutual touch and sympathy with their employees than formerly, the gulf between them is not nearly so great as that which now exists and has existed between employer and employed in the industrial countries of Europe for centuries.

Often missionary work on the part of the employer is largely futile, because the employee usually thinks that it is to his interest to do just the opposite to what the employer seems to want him to do and think.

When the employer talks he sets up a mark for the agitator to shoot at and the employees are prone to believe the agitator.

It is a mistake to assume, as the public usually does, that the granting of demands made by labor will bring peace. As a rule, concessions encourage greater demands pressed with more vigor because of the first successes.

The type of a man who profits by stirring up industrial strife will find ways of bringing on strikes under any system of conciliation or even compulsory arbitration.

When conflict between employer and employed is eliminated, either by absolute union control on the part of employees, or by the employers adopting the policy of conceding all labor demands and passing the expense on to the public, conflicts and strikes will still be brought about by agitators, because there is no great profit or glory for them except in times of conflict.

A large percentage of strikes in industries which are completely organized are jurisdictional strikes, or strikes which are the result of aspirations for office of rival labor leaders.

When demand for labor is abnormal, more or less strikes will occur in spite of any plan of arbitration. When there are not enough jobs to go round, the workman is disinclined to strike from fear that he will not have the means to buy bread and potatoes for his family; he will not restrict production from fear that under the operation of the weeding out process he will be the one to lose his job. When there are more jobs than there are workmen, the worker becomes easy prey for the agitator.

The impartial and rigid enforcement of existing laws, which have been evolved by centuries of experience to protect every man in his liberty and just rights, would do more to reduce industrial friction than any new laws or institutions which could be devised.

Public sentiment controls in the matter of law enforcement; and public sentiment is affected less by

reports of investigating bodies than by practical, personal experiences of individuals in their daily life.

Just at present sentiment is averse to the disturber and the danger is that radical and unenforcible laws will be enacted, resulting in a reversal of healthy public sentiment.

Special laws forbidding strikes and providing compulsory arbitration might, in some individual cases and under special conditions, serve as a temporary palliative, but in the end and sum total would, I believe, create more friction than it would prevent. It would materially extend the sphere of the professional organizer and increase the profits and opportunities of the trouble-maker.

Considering the present abnormal circumstances, there is not now in America more industrial strife than might be expected. A more serious crisis will come when industrial conditions are turning in the opposite direction, so that there is not enough work for all, while wages are being adjusted downward to meet foreign competition.

Then, the only effective means of controlling grave disturbances will be the enforcement of the laws already on the books. Put a stop to intimidation by strikers by rigid and impartial enforcement of our present laws and most industrial strife will disappear.

Most of the new plans suggested seem to be more destructive than constructive. Like all similar plans, in their conception there seems to have been

a total disregard for the practical conditions and motives which actuate both parties directly involved in labor controversies.

Complaints on the part of the public are not justified as long as it tolerates intimidation and violence on the part of either party to disputes.

As long as employees on strike are allowed to prevent others, by intimidation and slugging, from going to work, there is no limit to the height to which labor and the cost of living may mount. The result of arbitration is usually a compromise involving a wage increase.

Sympathetic strikes and boycott of materials produced by the members of some other union, or by non-union workers is, I believe, an evil that can be stopped by a law backed up by public sentiment.

During recent years boards of arbitration and conciliation have been basing a "living wage" on the "cost of living" in a way to constantly boost one by decisions with respect to the other. This has resulted in a contempt for ideas of economy on the part of many industrial workers, and a riot of extravagance has been one of the important factors in boosting the prices of commodities.

Wage awards based on needs instead of earnings, under unrestricted competitive conditions, is like pouring water into a sieve; because there is no limit to human desires and needs.

No matter how much we sympathize with the worker and desire to see him and his family enjoy

the good things of life at someone else's expense, we cannot in the long run overcome fundamental economic principles by enacting new and radical laws, or by decisions of arbitration boards.

A forehanded and thrifty family will prosper, living in comfort and cleanliness on a given wage, while a shiftless and improvident family will always be in distress and live like pigs, on a much larger wage; hence the futility of trying to determine what is a "living wage," or more properly speaking, a fair wage, except by the operation of a free competitive market.

In the long run and in a broad sense, there is no way to benefit the worker, who is the principal consumer, by the arbitrary fixing of wages by conciliation boards, which are prone to concede wages which are above the normal.

The idea that, in the broad sense, additional compensation to the worker can be taken out of the profits, is superficial and fallacious; because profits are regulated by competition, and when not sufficient to attract capital and the services of the capable entrepreneur to assume the risk of any particular industry, production is curtailed or ceases, so that the price to the consumer rises and offsets the increased wage, while opportunity for employment diminishes.

Arbitration tribunals seldom look beyond the particular industry, craft or country directly under consideration, hence lend themselves to a continuous circle of wage increases in one craft after an-

other until industrial depression results from impossible domestic conditions or foreign competition.

If compulsory arbitration could reduce, in some degree, the friction between employer and employee, it would be more than offset by increased friction between crafts, each of which, exaggerating the comparative value of its own services, would, on account of dissatisfaction, bring on interruption to production and service to a greater extent than we are now experiencing.

Observe the present dispute between the railway switchmen and the other railway crafts in which each side sincerely believes itself receiving less than the other in proportion to its deserts, and both believe that the railway worker who, by forcing the Adamson law through congress started this vicious circle of wage and living cost increases, is at a disadvantage with respect to other workers.

The passage of the Adamson railway wage law was in a measure an example of what results when we try to substitute the judgment of a tribunal in place of free competition.

Observe the so-called "carpenter" strike in Chicago in the summer of 1919, which was simply a question of whether or not the bricklayers were entitled to a higher wage than the carpenters, because the former cannot work so many days in the year as the latter. If the builders conceded the carpenters' demands for same wages as the bricklayers, the latter would strike; if they did not, the carpenters would and did strike after successive wage increases of each had been agreed to in rapid succession.

Observe the coal strike last winter, which was due partly to labor politics; partly to the idea that public necessity would compel the granting of almost anything demanded; and partly to the miners exaggerating the handicap of intermittent employment and the hazards of their occupation.

Observe the prevalence of jurisdictional strikes in the building trades since those crafts have been so completely organized that they have been able to dictate to their employers their own wages and working conditions.

In war times, palliatives like enforced arbitration are fully justified and under the extraordinary powers of a government at war, achieve a degree of success which is impossible in normal times.

When industrial disputes are arbitrated the loser—especially if it be the employee—is almost always dissatisfied. When he does not get an increase he considers himself a loser. We cannot go on forever increasing wages and prices; if we could, it would only lead to a corresponding increase in living costs while stimulating extravagant expenditures.

Under the Soviet regime in ignorant Russia the pursuit of living costs by arbitrary wage increases, progressed with rapid speed; but wages never caught

up with commodity prices, and it has ended in a despotism applied to the remaining railroad and industrial workers which is simply human slavery.

We are progressing slowly along the same path, but in America, before we reach the stage where the despot steps in and slavery is inaugurated, enlightened sentiment will put a stop to boycotting and slugging methods through the impartial and rigid enforcement of the laws, and we will escape the horrors suffered by the deluded people of Russia.

Compulsory arbitration and laws forbidding strikes during peace time, even in the matter of municipal employees and the employees of public utilities and key industries like coal mining, will only aggravate the industrial unrest.

Official conciliation and arbitration boards are among the necessary war expedients, like price fixing, which we can with advantage discard during peace times.

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